

US IMPERIALISM AND THE PANAMA FLAG CRISIS OF 1964

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The Panama Canal has been called one of the seven wonders of the modern world, and yet the history of the Canal often stops with the completion of construction and the passage of the first ships. What is missed is decades of diplomatic and foreign relations missteps and power plays that would lead to flag riots in Panama City in 1964. These riots would become the foundation of the United States' eventual handing over of the Canal in 1999. The Panama Canal was important to the self-image of the United States and many in positions of power within the halls of the United States government were adamant about retaining sovereignty over both the Panama Canal and the Canal Zone that bordered it. This essay analyzes many of the root causes of the Panama Flag Riots of 1964 and how the United States' complacency in the decades prior influenced and led to the event.

In January of 1964, the futures of both Panama and the United States changed when a group of high school students at Balboa High School inside the United States-controlled Canal Zone hoisted the American flag outside of their school. Word of the students' actions with the American flag at Balboa High School quickly spread to the Panamanian population outside of the Zone. Two days later, approximately 150 Panamanian students from Instituto Nacional, a high school in Panama City, assembled and marched to Balboa High School intent on raising the Panamanian flag alongside the American flag and declaring that Panama held sovereignty over the Canal Zone. During their attempt to raise the flag, surrounded by approximately five hundred Zonian residents, a scuffle broke out between the two groups and the Panamanian flag was damaged in the melee. Hoping to defuse the situation, Canal Zone police ordered the Panamanian students to leave the Zone and to return to Panamanian soil. On their way back, near Gorgas Hospital, the Panamanian students "start[ed] damaging property by throwing rocks at windows, cars and lamps."¹ News of the scuffle and damage to the Panamanian flag spread like wildfire through Panama City. Widespread riots broke out, overwhelming the local police force. With the Canal Zone's governor, Robert Fleming Jr., in the United States on unrelated business, Acting Governor Colonel David Parker activated the National Guard, fearing the Zone could be overrun by the rioters on its borders. The ensuing riots lasted for three days in total, resulting in the deaths of roughly twenty-two Panamanians and four US soldiers, along with the destruction of property suffered during the riots. The ramifications of these students' actions led the United States to slowly walk back nearly six decades of imperialism. Found scattered throughout the previous two decades are the origins of this event in January 1964, and the violence that rocked Panama for nearly three days. In hindsight, the chain of events combined with the

¹ *Panamanian Situation Report for the President of the United States, Jan 10, 1964* (Washington D.C.: 1964).

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assumptions and actions made by US presidents and other highly placed men are the hands of a Doomsday Clock ticking down the minutes to midnight and disaster.

The events of January 1964 were not manifested in a short amount of time. Tensions had been mounting since the signing of the original Hay-Bunau-Varilla Treaty in 1903, but actions taken by the United States failed to grasp the context of the situation present in Panama during the Eisenhower and Kennedy administrations. This original treaty stipulated the conditions in which the United States held a loose sovereignty over the Panama Canal and the land to either side of the waterway. The treaty was also signed by Panama which had only recently become independent because of the intervention of the United States Navy against Colombia. These oversights resulted in protests over Panamanian sovereignty being an eventuality rather than a distant possibility. Panama became a ticking time bomb. Anti-US sentiment ran high along with Panamanian nationalism that had been on the rise for decades. Previously, President Dwight D. Eisenhower had ordered that American and Panamanian flags could be allowed along the Canal. Shortly before his assassination, President John F. Kennedy expanded on this order, stipulating that both the American and Panamanian flags must be flown at all public sites, with exceptions to US military bases and airfields.² According to Milton Eisenhower's report to the United States government, it was believed that flying the Panamanian flag inside the Canal Zone would soothe the nationalists' wounded pride.³ President Kennedy's executive flag order was never to be fully implemented. Assassinated in Dallas, Texas on November 22, 1963, the implementation of President Kennedy's order fell to Robert Fleming Jr., the governor of the Canal Zone. Governor Fleming was not well liked within Panama or the Canal Zone itself.⁴ Instead of executing the order as President Kennedy had written it, Fleming modified the flag order and stipulated that no flag be flown within the Canal Zone. His action, coupled with the already tense situation present within Panama, was akin to storing gasoline next to an open flame. Residents inside the Canal Zone, or Zonians, felt abandoned by the United States not flying the American flag. Panamanians felt betrayed because the agreement to fly the Panamanian flag within the Canal Zone was five years in the making and the actions of Fleming were seen as renegeing on this.

The riot set in motion the turnover of ownership of the Panama Canal from the United States to Panama in 1977. Panamanian President Roberto Chiari, needing to bolster his political future, used the riots and the denial to fly the Panamanian flag as fuel to empower his reelection campaign by pushing for the United States to renegotiate the treaty that stipulated and governed the Panama Canal. In hopes to reign in the situation, US President Lyndon B. Johnson sent Ambassador Robert Anderson to Panama to negotiate a new agreement between the two countries. This new agreement failed to be ratified in Panama, eventually resulting in a military coup d'état. The issue deteriorated further when US President Richard Nixon's failure to act caused the Panamanian government to raise the issue of sovereignty over the Panama Canal to the United Nations Security Council. This move forced the canal to become a critical problem—something President Jimmy Carter promised to solve during his election campaign. President Carter and the United States then signed the Carter-Torrijos treaty with Panama in 1977. The United States agreed to slowly

² Paul B. Ryan, *The Panama Canal Controversy: US Diplomacy and Defense Interests* (Stanford: Hoover Institution Press, 1977), 52.

³ Milton Eisenhower, *The Wine is Bitter: The United States and Latin America* (Garden City: Doubleday, 1963), 216.

⁴ Eric Jackson, "The Martyrs of 1964," *Panama News*, Feb 6, 2006, 1.

withdraw from the Panama Canal over the next twenty years and ultimately handing over ownership of the Panama Canal to Panama at midnight on December 31, 1999.

Historians have conducted a large amount of research on the flag riots of 1964 and the resulting events, but have not closely examined the relationship present between Panama and the United States or why the flag riots in January 1964 are the end of a period of diplomacy between the United States and Panama, not the beginning of one.⁵ By using the firsthand accounts, governmental records, and declassified documents of the United States to explain the United States' behavior in the preceding two decades, a timeline of events emerges. These sources provide a window into the American presidential and State Department thought processes, and highlight the many ignored political, economic, and social indicators, as well as the inefficient actions taken by the United States to show how those actions would ultimately influence what was happening inside of Panama. The flag riots are a critical point in the history of the United States and the diplomacy conducted between the US and Latin American countries, such as Panama. The Panama Canal, one of the biggest engineering projects of the twentieth century, linked the Atlantic and Pacific Oceans and helped the United States realize the dream of Manifest Destiny by allowing fast and safe transits between the east and west coasts of America. The Canal allowed the United States to rapidly shift fleets in times of war, and the tolls charged by the Panama Canal for passage provided a source of income. These factors point to the 1964 flag riots as the result of missteps taken by the United States in the realm of diplomacy and foreign relations starting all the way back to the founding of Panama, the construction of the Panama Canal, and the years after World War II which saw the world changing in sudden and drastic ways.

Much has been written about the country of Panama, about the building of the Panama Canal, and about the turbulent experiences it endured during the latter half of the twentieth century. These pieces provide valuable insight to the circumstances surrounding the events that took place in Panama City in 1964, but most of the scholarship sees this event contained within a set of boundary lines. The history of the Panama before is focused on the development of its democracy, economy, and political systems. Other scholarly works, such as *Panama's Canal* by Thalia Chantziara, choose to focus on the disruptive political environment that would eventually produce Manuel Noriega or the diplomatic work required to hand over the Panama Canal and the Canal Zone that surrounded it. Works like Milton Eisenhower's *The Wine is Bitter* and the evaluations performed by the US State Department and Central Intelligence Agency help to demonstrate the vital links of diplomacy and foreign relations in the mid-twentieth century between the United States and Panama preceding the riots that took place, versus contemporary scholarship using the riots as the stepping off point for Panama's modern experience.

The United States viewed the Canal as a central part of its national defense policy and, until President Carter, was loath to let it go under any circumstance.⁶ And yet, due to the US mishandling diplomacy and relations between itself and Panama, a singular event orchestrated by a group of high school students in 1964 reshaped the Western Hemisphere. This body of work will explore how the United States' failure to observe and act, coupled with diplomatic errors, were contributing factors in the decades leading up to January 9, 1964, and not separate from it.

⁵ Thalia Chantziara, "Panama's Canal," *Harvard International Review* 20, no. 3 (Summer 1998): 14. EBSCOhost.

⁶ Mary Swilling, "The Business of the Canal: The Economics and Politics of the Carter Administration's Panama Canal Zone Initiative, 1978," *Essays in Economic & Business History* 22, no. 1 (January 2004): 1. EBSCOhost.

A Seizure in Egypt Lights a Fuse in Panama

To explain how the situation in Panama developed and resulted in the flag riots of January 1964, the Suez Canal Crisis that occurred nearly a decade before must be examined. Egyptian President Gamal Nasser announced to the world in late July 1956 that Egypt had seized and nationalized the Suez Canal, as well as closed shipping through the canal to Israel—a move that surprised Great Britain, France, Israel, and the United States.⁷ The immediate British, French, and Israeli response to nationalization of the Suez was to be military in nature and, according to *The Telegraph* newspaper, something that the British public at the time was strongly in favor of.⁸ The Suez Canal, just like the Panama Canal in the Western Hemisphere, was vital to the economy and defense of Great Britain and France. Goods and warships passed through the Suez Canal to India and Asia, where both Great Britain and France still possessed overseas territories and commitments. Without control of the Suez Canal, travel times and shipping costs would skyrocket by having to travel south around Africa by transiting the Cape of Good Hope. The initial reaction by President Eisenhower was to condemn the actions taken by President Nasser; however, President Eisenhower was sympathetic to the Egyptians and their nationalization of the Suez and remarked to the British and the French that the United States “should not be indifferent to the rights of people who are invested in this. Egypt should operate the Canal efficiently and carry out its promise to those affected—show we are not indifferent but are not going to war over it.”⁹ President Eisenhower made further remarks to British Prime Minister Anthony Eden that the United States could not engage in military action without the sanction of the US Congress, and that the US public could not back any military intervention unless all peaceful measures had been explored and exhausted.¹⁰ Despite this, Great Britain and France, together with Israel, decided to move forward militarily anyway. At a meeting in Sevres, France, plans were drawn up in which Great Britain and France would issue diplomatic ultimatums that Egypt could not agree to, giving Great Britain, France, and Israel reason to publicly enter Egypt with military troops.¹¹ Fearing the Arab world might be more sympathetic to the USSR as a result, the response of the United States was swift in decrying the actions of the British, French, and Israeli governments.

The Suez Crisis was the seed from which Panamanian resistance to the United States-controlled Panama Canal and Canal Zone sprouted, and the reaction by the United States drove relations for the following decade. President Eisenhower, however, minimized the Panamanian position with his official statements and actions as the chief US diplomat. When asked about the US opinion of the Suez nationalization at a press conference on August 8, 1956, President Eisenhower responded:

⁷ Herlihy, Ed. “Suez Canal Seized By Egyptians,” *Universal-International News*, July 30, 1956. Video, 0:40.

⁸ DR Thorpe, “What we failed to learn from Suez,” *The Telegraph*, November 1, 2006..

⁹ Memorandum of Telephone Conversations Between the President and the Secretary of State, July 30, 1956, Foreign Relations Of The United States, 1955-1957, Suez Crisis, July 26-December 31, 1956, Volume XVI, Department of State Office of the Historian. Accessed March 10, 2021.

¹⁰ Letter From President Eisenhower to Prime Minister Eden, July 31, 1956, Foreign Relations of The United States, 1955-1957, Suez Crisis, July 26-December 31, 1956, Volume XVI, Department of State Office of the Historian.

¹¹ S. Ilan Troen, “The Protocol of Sèvres: British/ French/ Israeli Collusion Against Egypt, 1956” *Israel Studies* 1 (Fall 1996): 133.

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It is well to remember that we are dealing with a waterway here that is not only important to all the economies of the world, but by treaty was made an international waterway in 1888 and is exactly that. It is completely unlike the Panama Canal, for example, which was a national undertaking carried out under bilateral treaty.¹²

With this reply, President Eisenhower and the United States made one thing clear: the Panama Canal, signed by both the United States and Panama, belongs to the United States by treaty. To further complicate the issue, Secretary of State John Foster Dulles issued a memorandum just five days earlier on August 3, 1956, to diplomatic missions in Latin America advising them “[a]voidance [sic] initiation any discussion linking status Panama Canal with Suez Canal problem will further our foreign policy objectives ... Posts however should seek to de-emphasize any linking of the two canal situations.”¹³ On July 30, 1956, President Eisenhower, possibly foreseeing a problem with the United Nations and Panama due to the Suez Crisis and feeling that the United States could not participate in any procedure in the United Nations in which the United Nations could revoke part or all of the treaty that established the Panama Canal and the Canal Zone, began moving the governmental response farther from any idea of concessions to Panama.¹⁴ In another conversation between President Eisenhower and Secretary Dulles on July 31, 1956, there was a discussion that the original 1903 treaty establishing the Panama Canal must be followed lest the United States lose control of the Panama Canal to Panama. In that same conversation President Eisenhower explicitly stated, “not a whisper about this outside this room.”¹⁵ This was a concerted effort amongst the top officials in the United States government to limit what actions Panama could take regarding the canal by referencing the original treaty in 1903 and reveals the US’ efforts to frame the situation in a positive light for themselves while allowing Panama to languish in the press.

The Panamanians did not react to the United States’ position positively. Foreign Minister Aquilino Boyd of Panama immediately said that the treaty for the Panama Canal merely granted “certain powers exclusively for the operation of the canal and nothing else.”¹⁶ This position was not new among the elected officials of Panama, or even within Panama itself. The idea for Panamanian sovereignty over the canal was already an established point taught in schools and publicly demonstrated. Numerous small-scale protests and diplomatic ventures that argued for a more favorable treaty agreement seemed to come to fruition in 1955. At this time, among other economic concessions, the annuity paid by the United States was increased to \$1.9 million USD, but key compromises acknowledging Panamanian sovereignty were left out. Resentment over this became apparent in May 1958, when the police turned back Panamanian students attempting to plant Panamanian flags inside the

¹² “The President’s News Conference August 8, 1956,” The American Presidency Project.

¹³ Circular Telegram from the Secretary of State to Certain Diplomatic Missions, August 3, 1956, Foreign Relations of The United States, 1955-1957, American Republics: Central And South America, Volume VII, Department of State Office of the Historian. Accessed March 10, 2021.

¹⁴ Telegram From the Department of State to the Embassy in the United Kingdom, July 30, 1956, Foreign Relations of The United States, 1955-1957, Suez Crisis, July 26-December 31, 1956, Volume XVI, Department of State Office of the Historian. Accessed March 10, 2021.

¹⁵ Memorandum of a Conference with the President, White House, Washington, July 31, 1956, 9:45 a.m., Foreign Relations of The United States, 1955-1957, Suez Crisis, July 26-December 31, 1956, Volume XVI, Department of State Office of the Historian. Accessed March 9, 2021.

¹⁶ Ryan, *The Panama Canal Controversy*, 40.

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Zone. Frustration turned to violence and nine people died.¹⁷ The Panamanians, having long held the belief that the canal was stolen from them, were willing to go to extreme measures to make their displeasure with the situation clearly known. The United States was further made aware of this position held by the Panamanians in May 1958, especially among the Panamanian student population that the US feared had been infiltrated by “ultra-nationalist and communist agitators.”¹⁸ The revision of the Canal treaty in 1955, coupled with the US’ wariness to give away any control in the Canal Zone clearly demonstrated an imperialistic view towards Panama. As a result of this view, the United States may have believed they were acting as a benevolent overseer choosing to ignore the discontent brewing just under the surface.¹⁹ While this was going on, a rising political party within Panama gained a sizable base: the Patriotic Front Party (PFP). Two leaders of the PFP, brothers Dr. Harmodio Arias and Arnulfo Arias, both eventually became Presidents of Panama: Dr. Arias from 1931 to 1936 and Arnulfo Arias in three separate terms spanning 1940-1941, 1949-1951, and for eleven days in 1968. The United States was keenly aware of the activity of the two Arias brothers. Dr. Harmodio Arias represented the old-guard politics within Panama and was seen as the “mastermind” of the PFP, while his brother Arnulfo was credited with violently thwarting a defense-site treaty in 1949.²⁰ The PFP was one of the most dominant political parties present within Panama and commanded a large portion of the population, so what was pushed by the party leadership was ultimately reflected within a large portion of the Panamanian public.

Politically, it is evident the United States was aware of the frustration the Panamanians held over the issue of sovereignty and the Panama Canal. They made these points clearly known in backroom discussions between President Eisenhower and Secretary of State Dulles. President Eisenhower and Secretary Dulles understood that even a whisper of concession during the Suez Crisis could mean massive compromises granted to Panama. Therefore, Eisenhower and Dulles stuck to the original 1903 treaty, believed by the Panamanians to be wholly unfair, and made the United States’ position on the sovereignty of the Canal Zone and the canal itself a binding and legal agreement between Panama and the United States—one that Panama could not back out of simply because outside world events hinted that they could. This pattern is something commonly seen throughout history: a statement of control, usually borne out of a position of power, an allusion to the idea that the benefactor provides protection, stability, and economic benefits, and therefore warns the overseas holding that leaving is an ill-advised plan of action.²¹ The imperial power does not, or chooses not, to take the wishes of the people in the area they are occupying into account since those desires generally run counter to the controlling country. In this case, the United States’ ceding any form of sovereignty of the canal to Panama runs counter to its intention to solely control the Panama Canal strategically and

¹⁷ Ralph Skinner, “Students Harass Government-Riots Nick Panama Gains,” *Christian Science Monitor*, May 29, 1958. ProQuest.

¹⁸ Memorandum From the Director of Central Intelligence (Dulles) to the Secretary of State, Foreign Relations Of The United States, 1958-1960, American Republics, Volume V, Department of State Office of the Historian. Accessed March 10, 2021.

¹⁹ Special Report Prepared by the Psychological Strategy Board, September 11, 1953, Foreign Relations Of The United States, 1952-1954, General: Economic And Political Matters, Document 223, Volume I, Part 2, Department of State Office of the Historian. Accessed March 9, 2021.

²⁰ *Probable Developments in the Republic of Panama Through mid-1952, January 21, 1952*. (Washington D.C.: 1952): 3-5.

²¹ J. A. Hobson, *Imperialism: A Study* (New York: Gordon Press, 1975): 358. EPUB.

economically out of a fear that those strategic and economic wishes would be threatened if Panama were to be a more equitable partner. The diplomatic actions taken by the United States regarding the Suez Canal and how that impacts Panama changed the time on our Doomsday Clock. It is now two minutes to midnight.

The Economic Boom after World War Two Bypasses Panama

Post-World War II, many countries enjoyed an economic boom like never seen before. The countries that were ravaged by the war were at or above their pre-war levels within three years, and production rose to above pre-war levels in countries not affected by the war directly (the United States and Canada).²² But as the United States' economy expanded and GDP rose, Panama's economy remained stagnant. The disparity between Panama and the United States rose to a level that could not be ignored by the citizens of Panama near the Canal Zone, a daily reminder of the affluence of the United States and the relative economic dearth suffered by Panama.²³

Panama, according to the United Nations World Economic Survey in 1959, suffered from repeated year-after-year economic hardships and downturns ending 1959 with a negative \$79 million trade balance, a \$3 million decrease from the previous year.²⁴ The poor economy present for so long within Panama hampered every facet of the country's infrastructure outside the confines of the US-held Canal Zone. According to the United States Special Study to Latin America, Panama suffered from an increasing cost-of-living coupled with high unemployment and poor education that was crippling Panama City and Colón, while the agricultural sector suffered from bad roads and poor farming strategies severely limiting economic productivity in rural areas.²⁵ The inability to produce enough raw materials and foodstuffs forced Panama to import large amounts of raw goods to support the economy, leading to the negative trade balance. That same report startlingly revealed that while "almost two-thirds of the population live in rural areas and the country has unused land suitable for cultivation Panama must import 12 percent of its food requirements."²⁶ This is in stark contrast to the economic surplus enjoyed within the United States that extended into the Canal Zone.

In March 1955, the CIA reported on a source of information about the current conditions in Panama. The report explains that former President Arnulfo Arias had whipped up the people with talk of better salaries and brighter economic futures because of the newly negotiated Eisenhower-Remón Treaty signed earlier that year. No such promises existed within the context of the revised treaty, and Arias' words merely served to stoke and encourage anger and dissent amongst the Panamanian people. What had been established shortly after the Panama Canal had been completed, however, was a payroll system that distinguished general labor positions from skilled positions, called silver and gold payrolls respectively.²⁷ The revised treaty of 1955 did promise to remove the silver and gold payroll system and provide for more equality of salary between Panamanians and Americans working within the Canal Zone, but this did little to improve the lives of Panamanians that could not get

²² "Post-War Reconstruction and Development in The Golden Age Of Capitalism," United Nations, Accessed March 8, 2021.

²³ Committee on Foreign Affairs, Special Study Mission to Latin America: Peru, Ecuador, Colombia, Panama, Costa Rica, H.R. Rep. 223, 33.

²⁴ "World Economic Survey 1959," (United Nations): 179. Accessed March 8, 2021.

²⁵ Committee on Foreign Affairs, *Special Study*, 33.

²⁶ Committee on Foreign Affairs, *Special Study*, 32.

²⁷ *CIA Report on History of Relations between US and Panama, 1955* (Washington D.C. 1955): 4-7.

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work with the US companies operating in the Canal Zone, and never fully went into effect. In 1963, the last full year before the Flag Riots in January 1964, 3,766 individuals received pay at the gold rate, and 10,370 received pay at the silver rate.²⁸

The United States believed that Panama could succeed economically if it drastically reformed its economy and abandoned the idea that the Panama Canal would solve their economic problems.²⁹ The United States also believed that the Panamanian government was unwilling to undertake the large amount of effort and lacked the will to see the changes through to improve their current economic situation. Further, to improve economic conditions present throughout Latin America, President Kennedy established the Alliance for Progress in 1961. The Alliance for Progress provided a set of goals and achievements intended to raise the per-capita income of each country in the agreement, thereby strengthening their economies.³⁰ For Panama especially, this program was referenced by the United States government as the path Panama should follow to improve the economy and allow the annuity payments from the US-held Panama Canal to simply be a surplus to their budget. Better farming techniques, infrastructure, and utilization of raw materials by Panama would provide jobs and export income, and hopefully reduce its dependence on the Panama Canal, in turn reducing the diplomatic tension associated with the canal and the earnings it provided. The United States had an incredible interest in improving the economic situation in Panama because it reduced the shortfall that existed between the US-held Canal Zone and Panama, and therefore it would resolve tensions between Panamanians and the United States government. Instead of acting as foreigners who seized the strip of land that split the country in two, the US brought infrastructure, development, and investment into Panama as a partner in the western hemisphere.

In the Panama Canal Company Annual Report for 1958, the company president W.E. Potter proclaimed that the number of ships transiting the Canal and the tolls collected from the traffic passing through “broke all records.”³¹ Four years later, however, a Committee on Foreign Affairs report blithely stated:

These demands [for a 50-50 split of gross receipts] rest on an emotional rather than on a rational basis ... Gross revenue from the Panama Canal Company, a US-owned corporation (which includes tools, sales of commodities, and rentals) amounted to \$100 million in fiscal year 1962. Net revenue, however, was only \$7.3 million ... Those who view the issue through their emotional bias are probably not receptive to logic.³²

So, while supposedly doing record business with ships transiting the Panama Canal, the United States downplayed canal income to such a degree that the message essentially sent to Panama was thus: the Panama Canal is an expensive investment and endeavor for the United States that has yet to pay off, and, furthermore, Panama lacks the economic ability to properly support the operation of the Panama Canal. In 1962, the annuity paid to Panama was \$1.93 million USD, while the United States received \$7.35 million USD, nearly four times as much.³³ This figure also does not consider the strategic cost of moving US Navy vessels through the Panama Canal

²⁸ John Major, *Prize Possession* (Cambridge: Cambridge University Press, 1993), 380.

²⁹ Committee on Foreign Affairs, Report on United States Relations with Panama, H.R. Rep. 2218, 14.

³⁰ John F. Kennedy, “Papers of John F. Kennedy. Presidential Papers. President's Office Files. Subjects. Alliance for Progress,” JFK Presidential Library, Accessed March 11, 2021.

³¹ Panama Canal Company, *Annual Report Fiscal Year Ended June 30, 1958*, 2, Internet Archive.

³² Committee on Foreign Affairs, *Special Study*, 37.

³³ Committee on Foreign Affairs, *Special Study*, 37.

which, due to the location and ownership of the entire length of the Canal, is nearly priceless. Our Doomsday Clock marches forward again, it is one minute to midnight.

US Fear of Communism and Discrimination Poisons Panama

One important contribution to the deterioration between the United States and Panama leading up to 1964 is the social phenomenon all too common for this period: discrimination. These events were before the Civil Rights Act of 1964 and involved a group of people that were not American by birth. Discrimination was present within the Canal Zone between White and Black United States citizens, but there was also a noticeable feeling of resentment between the primarily White Panama Canal Company employees and the non-White Mestizo, Indigenous, and Black Panamanians outside of the Canal Zone. Many of the White Panama Canal supervisors and management believed that the Panamanians were “administratively incompetent” and that the ability to manage the Canal was “just beyond Panamanian ability at this time.”³⁴ The same CIA report that discussed the payroll system present within the Panama Canal Company, a corporation owned and operated by the United States government, discussed local racial tensions present between the American workforce and the local Panamanians. One US employee remarked about how he is “not anti-Panamanian or anti-Negro ... When White Americans walk by my house, the dogs do not bark. When Negroes or Panamanians walk by, the dogs rush out and bark at them day or night ... I believe that this illustrates the discrimination in the Canal Zone which is so actual that even the dogs are opposed to Negroes and Panamanians without being taught.”³⁵ The report further details how Panamanians that are seen walking around the neighborhoods populated by United States citizens; in places like Ancon, Balboa, and Cristobal, they are followed by the police until they leave the area. Additionally, White parents “hate to visualize Negro and brown and Indian Panamanians living with them, playing with their children, the young people intermarry-ing, etc.”³⁶ Commissaries provided goods imported from the United States and were only available for use by employees of the Panama Canal Company or military personnel assigned to the Canal Zone. K-12 schools were available to company employees, along with recreation facilities such as pools, movie theaters, and bowling alleys.³⁷ All of this stood in stark contrast to the unemployment and lower wages that Panamanians were experiencing just miles away and served as a daily reminder of what the United States had because of the Panama Canal versus the resources Panamanians lacked.

This separation between the haves and have-nots extended into Panamanian society as well. Panamanian society had largely been a plutocracy throughout Panama’s short history up to this point, with most of the political offices, candidates, and higher management of corporate and financial institutions coming from the wealthy, White elites of Panamanian society largely located in the two largest cities of Colón and Panama City. These plutocrats had a vested interest in preserving the social and political climate present within society to advance their individual goals and ambitions, many of which ran counter to the needs of the common Panamanian.³⁸

³⁴ *CIA Report, 1955, 5.*

³⁵ *CIA Report, 1955, 7.*

³⁶ *CIA Report, 1955, 6.*

³⁷ Panama Canal Company, *Living and Working in the Canal Zone, 7-19.*

³⁸ Hansom Baldwin, “Storm Over the Panama Canal,” *New York Times*, May 8, 1959 quoted in Paul Ryan, *The Panama Canal Controversy* (Stanford: Hoover Institution Press, 1977), 47.

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A further social wrinkle that the United States government seemed to be fully aware of and yet did not fully consider was the social context that was born out of the political climate present within Panama. For many years prior to 1964, Panamanian politicians and elites had been espousing nationalist ideas, such as the goods sold inside the Canal Zone only hurt Panamanian producers and manufacturers to engender a dislike of the United States. According to Paul Ryan's history of Panama, this created a lifetime of political and social indoctrination to the idea that the original Hay-Bunau-Varilla 1903 treaty "cheated" Panama out of proper rights and sovereignty over the Panama Canal.³⁹ Panamanian politicians had whipped up such a fever of nationalism within Panama that they could no longer ignore the firestorm that they had created. Instead, each successive political candidate had to try and out-do the current political climate, further escalating the tension between Panamanians, the Canal Zone, and the United States by extension. This tactic had been so continuously used in the years preceding 1964 that the Central Intelligence Agency believed "any of the principal candidates might resort to a coup rather than accept defeat."⁴⁰ This warning proved to be nearly prophetic as the country endured a military coup d'état in 1968 that formed a military-led government enduring until 1989. This tension, which Panamanian politicians had so carefully cultivated over the years, created a diplomatic and social minefield that both the United States and Panama had to carefully navigate. The US stance was simple: the Panama Canal is ours. The Panamanian stance, however, had to weave anti-US nationalism into their message to please the masses, but not so much that the United States became uncomfortable with the social and political climate that developed. The CIA seemed to see Fidel Castro and communism wherever anti-US sentiment was present and kept a close watch on organizations such as Partido del Pueblo (PdP). The CIA believed the PdP was infiltrating various labor unions and educational groups throughout Panama and was one of the primary agitator groups that could cause violence and protests from time to time.⁴¹

The social inequality facing Panamanians from within Panama and in the United States Canal Zone provided fertile ground for resentment and poor public approval of the United States. Those in power in Panama actively cultivated this idea, and this fact was known to the United States intelligence services. The US diplomatic and executive services, however, relied on social stereotypes such as "hot-blooded Latinos" to explain away the almost cyclical periods of protests and violence that occurred within Panama. The US also depicted infiltration by Castroists and communists whenever it was convenient. This willful ignorance of the social situation in Panama let an angry populace grow angrier with every diplomatic action, economic concession, and Panama Canal Company decision. The hands of the Doomsday Clock move forward once again and strike midnight.

Panama as a Precedent

With the striking of midnight and the bells ringing with the events of January 1964 that shall echo through the decades to come, it must be asked if at any point the hands could reset or wound back. Hindsight provides a sort of melancholic truth to these events and their contributions to what happened at Balboa High School on January 9,

³⁹ Ryan, *Panama Canal Controversy*, 41.

⁴⁰ Special National Intelligence Estimate, March 11, 1964, Foreign Relations Of The United States, 1964-1968, South and Central America; Mexico, Volume XXXI, Department of State Office of the Historian. Accessed March 14, 2021.

⁴¹ *Central Intelligence Agency Office of Reports and Statistics, El Partido del Pueblo, Panama, Oct 30, 1950* (Washington D.C.: 1950).

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1964. By examining this event and the causes that led to it, it is more evident that the United States has not escaped the imperialist tendencies of its European counterparts. Furthermore, as a nation, understanding the course of events helps us to recognize when we are traveling down a similar path. The United States still traditionally overlooks issues on the ground in countries around the world due to the vast differences in culture, development, and economy and relies instead on political strongmen. As with Panama and the rise to power of Manuel Noriega, these foreign countries birth powerful political or military leaders that look to take advantage of instability and nationalism that arises from diplomatic errors and mistakes, often with tragic consequences. In hindsight, a clear line is drawn between the three different realms present within this event, but the biases and doctrine of the time created blind spots and defilades where alternatives existed, and time and the hands of the Doomsday Clock continued to tick away to midnight. Eventually, the United States signed the Carter-Torrijos Treaty in 1977 that gradually transferred the Panama Canal to Panama—an act that was anathema to US Presidents twenty years prior, and essentially reset the hands of the Doomsday Clock on relations between the United States and Panama.

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